

AMENDMENT NO. \_\_\_\_\_

Calendar No. \_\_\_\_\_

Purpose: To make certain engineering and architectural services eligible for the deduction relating to income attributable to United States production activities and to limit an employer's deduction for entertainment expenses of covered employees to the amount which the employee includes in income.

IN THE SENATE OF THE UNITED STATES—108th Cong., 2d Sess.

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AMENDMENT No. 3138

By Hutchison - Others

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Page(s)

GPO: 2002 63-247(Mac)

Referred to the Committee on \_\_\_\_\_  
and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mrs. HUTCHISON  
(for herself, Mr. SMITH, and Ms. LANDRIEU)

Viz:

- 1 On page 35, between lines 11 and 12, insert the fol-
- 2 lowing:

1   **SEC. 103. DEDUCTION FOR UNITED STATES PRODUCTION**  
2                   **ACTIVITIES INCLUDES INCOME RELATED TO**  
3                   **CERTAIN ARCHITECTURAL AND ENGINEER-**  
4                   **ING SERVICES.**

5           (a) IN GENERAL.—Paragraph (1) of section 199(e)  
6 (relating to domestic production gross receipts), as added  
7 by section 102, is amended to read as follows:

8           “(1) IN GENERAL.—

9           “(A) RECEIPTS FROM QUALIFYING PRO-  
10           DUCTION PROPERTY.—The term ‘domestic pro-  
11           duction gross receipts’ means the gross receipts  
12           of the taxpayer which are derived from—

13                   “(i) any sale, exchange, or other dis-  
14                   position of, or

15                   “(ii) any lease, rental, or license of,  
16           qualifying production property which was man-  
17           ufactured, produced, grown, or extracted in  
18           whole or in significant part by the taxpayer  
19           within the United States.

20           “(B) RECEIPTS FROM CERTAIN SERV-  
21           ICES.—

22                   “(i) IN GENERAL.—Such term also in-  
23                   cludes the applicable percentage of gross  
24                   receipts of the taxpayer which are derived  
25                   from any engineering or architectural serv-

1                   ices performed in the United States for  
2                   construction projects in the United States.

3                   “(ii) APPLICABLE PERCENTAGE.—For  
4                   purposes of clause (i), the applicable per-  
5                   centage shall be determined under the fol-  
6                   lowing table:

<b>“In the case of any taxable   The applicable percentage is— year beginning in—</b>	
2004, 2005, 2006, 2007, or 2008 .....	25
2009, 2010, 2011, or 2012 .....	50
2013 or thereafter .....	100.

7                   (b) LIMITATION OF EMPLOYER DEDUCTION FOR  
8 CERTAIN ENTERTAINMENT EXPENSES WITH RESPECT TO  
9 COVERED EMPLOYEES.—Paragraph (2) of section 274(e)  
10 (relating to expenses treated as compensation) is amended  
11 to read as follows:

12                   “(2) EXPENSES TREATED AS COMPENSATION.—  
13                   Expenses for goods, services, and facilities—

14                   “(A) in the case of a covered employee  
15                   (within the meaning of section 162(m)(3)), to  
16                   the extent that the expenses do not exceed the  
17                   amount of the expenses treated by the taxpayer,  
18                   with respect to the recipient of the entertain-  
19                   ment, amusement, or recreation, as compensa-  
20                   tion to such covered employee on the taxpayer’s  
21                   return of tax under this chapter and as wages  
22                   to such covered employee for purposes of chap-

1           ter 24 (relating to withholding of income tax at  
2           source on wages), and

3           “(B) in the case of any other employee, to  
4           the extent that the expenses are treated by the  
5           taxpayer, with respect to the recipient of the  
6           entertainment, amusement, or recreation, as  
7           compensation to such employee on the tax-  
8           payer’s return of tax under this chapter and as  
9           wages to such employee for purposes of chapter  
10          24 (relating to withholding of income tax at  
11          source on wages).”.

12          (c) EFFECTIVE DATES.—

13           (1) SUBSECTION (a).—The amendment made  
14           by subsection (a) shall apply to taxable years ending  
15           after the date of the enactment of this Act, and sec-  
16           tion 15 of the Internal Revenue Code of 1986 shall  
17           apply to the amendment made by this subsection as  
18           if it were a change in the rate of tax.

19           (2) SUBSECTION (b).—The amendment made  
20           by subsection (b) shall apply to expenses incurred  
21           after the date of the enactment of this Act and be-  
22           fore January 1, 2006.